

Ruijia Li

Mike Katell

Critical Essay

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Privacy in Economics

Privacy has been an ongoing discussion throughout the development of human civilization. With the rising of internet and multimedia platforms, privacy was pushed to the front line of concerns for every technology users. Different people hold different standards and opinion when comes to the privacy discussion. Unlike most parties who are looking at privacy from an ethical standpoint, Richard A. Posner provided his analysis on privacy from an economic standpoint. Specifically, through his analysis, Posner implied that privacy is providing no beneficial value to economics as a whole.

Part I. Posner's Economic Analysis of Privacy

Posner did a three-part analysis of Privacy: the analysis of market efficiency with privacy, the analysis of cost and profit with privacy and the economic analysis of the concern of misused information. To start the analysis, Posner defined his understanding of privacy.

In Posner's definition, privacy has three meaning: "concealment of information", a state of mind that's peace and quiet, "a synonym for freedom and autonomy"(Posner, P1).

Posner suggested that because the third meaning was a mere synonym for the discussion of freedom and autonomy and that the second meaning was economically saying applied more to

the educated people with a higher social status that he will only use the first definition of privacy (“the concealment of information”) in his analysis.

In Posner’s analysis of market efficiency, he pointed out that the concealment of information, the privacy that he defined, will reduce the efficiency of the employment market. To further support his argument, he suggested that if an employee wants to conceal information from the employer, then the information must have negative effects on the employers that might influence the hiring decision. Posner suggested that in this case, the concealment of information about the potential employee is the same as companies concealing information about their products. If the latter is fraud, then Posner believes that employee concealed information, the former, should also be considered fraud or dishonesty for its inability to provide accurate information about the employees. Moreover, because of the employment market lacking accurate information, Posner thinks that it will be hard for the potential employers to find appropriate employees that they were looking for and therefore lead to the deficiency in market efficiency.

In Posner’s analysis of the analysis of cost and profit with privacy, he suggested that the cost and profit with concealing information would not match up. Posner specifically used the example of the concealment of the criminal records from potential employers of the ex-criminals. Posner suggested that the primary reason for the government to address the issue of concealment of criminal records is to encourage the rehabilitation of the ex-criminals, then the outcome of such law is to enable potential hiring decisions from potential employers of the ex-criminals. He found that in this case, there is an imbalance in the resource that’s used into concealing information and the outcome being just enabled uncertain decisions in the hiring process that the concealment does not mean an actual effect in the rehabilitation of ex-criminals. Moreover,

Posner also proposed an extreme case to add on a negative outcome of concealing criminal records is the potential harm to children of hiring ex-criminal in school.

Lastly, Posner responded to the general concern of the misuse of private information in his analysis of the economic analysis of the concern of misused information. Posner believes that people's concerning misused information is that special characteristics such as sexuality medical history and criminal records put excessive information on prospective employers. If the characteristics do not damage the market's efficiency, Posner believes that people are rational in market and non-market behaviors that excessive information should have no weight in employers market setting and others in non-market settings. Because of the private information does not have weight in market or non-market setting decisions, Posner suggested that the concern of misuse of private information has not solid support.

Part II. Problems in Posner's Economic Analysis of Privacy

While Posner's analysis is valid, there are several problems with Posner's analysis. The main issues are within his first premise on the analysis of market efficiency with privacy.

First of all, the statement that all concealed information is due to the negative impact is not a truthful statement at the start. In the employment market context, concealed personal information could a criminal record or a negative characteristic that the person have like Posner stated, but could also be personal information that's completely unrelated to the employment. If privacy is concealment of information of unrelated information, like family members information, in the employment market, then it's clear that the employers will be able to use the available information to find the most appropriate person. Therefore, there will be no damage to the employment market if the concealed information was harmless and unrelated.

Similarly, the analogy of concealed information in the employment market and product means that in both cases, the concealment of information should be considered fraud is a false argument. The arguments stand with the assumption that the information concealed in the products have negative effects on the customer's opinion. While some information is important to reveal to the customers, I believe that there is information that should be concealed. In my defense, I believe patent law is a form of protection for the intellectual or insight information that's concealed by companies to maintain their business. If the intellectual or product insight information was released and freely used without restrictions by the patent law, then there would be a decrease in encouragement in innovation and production. And then the loss of interest in innovation and production would not only result in the damage of a specific company but also the whole production market. If the analogy of concealed information in the employment market and in the production market stands, production market allows concealment of information to ensure the efficiency of the production market then it's reasonable to have proper concealed information in the employment market as well.

CONCLUSION

Posner's arguments are valid to support his results that privacy provides no beneficial value but harm in economics perspective, but it's all based on his assumptions that the concealed information behind privacy has negative influences. While the influences of concealed negative information to economics are not definite to be negative, privacy as harmless personal information should not have an impact on economics as I suggested. Despite Posner's decision to not discuss privacy as "a synonym for freedom and autonomy" in an economic context, in an

ethical context, I believe privacy's definition is still the freedom of concealing personal information regardless of reasons.

Works Cited

Posner, R. A. (1981). The economics of privacy. *The American economic review*, 71(2), 405-409.